Requirement of independent directors

147. SHRI R.C. SINGH: Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether it is a fact that nearly 18,000 independent directors are required for Indian corporate sector so as to reduce corporate frauds such as the Satyam episode in the country;

(b) if so, whether any proposal has been mooted in his Ministry for setting up of an institute to train independent directors;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA): (a) All the companies listed with the stock exchanges are required to appoint Independent Directors, as per the Clause 49 of the Listing Agreement prescribed under the Securities and Exchange Board of India Act, for ensuring better corporate governance.

(b) to (d) Ministry of Corporate Affairs has recently set-up Indian Institute of Corporate Affairs (IICA) to function as a think-tank, action research, service delivery and capacity building support to the Ministry, corporate sector and other stake holders. Besides other functions, the Institute will also provide training to Indian Corporate Law Service officers and other stakeholders including independent directors.

Need for overhauling of corporate governance policy

148. SHRIMATI BRINDA KARAT: Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Satyam scam highlighted the need for overhauling of corporate governance policy of India;

(b) if so, what corrective actions Government proposes to take to plug loopholes in corporate governance policy of India; and

(c) whether Government proposes to make suitable amendments to Companies Act and Accounting Standards?

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA): (a) to (c) The Ministry of Corporate Affairs, after undertaking a comprehensive consultative process, has proposed to replace the Companies Act, 1956 with a new Act for which a Bill has already been introduced in the Parliament. The Companies Bill, 2008 suitably addresses various corporate governance issues and concerns including the Accounting Standards.

Reasons behind the Satyam Computers fraud

149. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Satyam fraud represents the breakdown of regulatory oversight or is due to the connivance of auditors; and

(b) what are the various investigations underway and by which agency and under what provisions of law with the maximum punishment under each provision?

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA): (a) The events relating to Satyam Computer Services Ltd. relate to a particular Company and do not represent a breakdown of regulatory oversight. The role of the internal and statutory auditors of the Company and exercise of due diligence by them to ensure true and fair financial reporting, including in statutory returns and filings made by the company, is also under investigation along with other aspects.

(b) The Ministry has ordered investigation into the affairs of the company under Section 235 of the Companies Act, 1956 by Inspectors drawn from amongst the officials of the Serious Fraud Investigation Office (SFIO). In addition, the Institute of Chartered Accountants of India has been asked to ascertain the actual role and discharge of functions by the statutory auditors with regard to the accounting and auditing standards and the provisions of the Companies Act, 1956 for action under the provisions of the Chartered Accountants Act, 1949 as warranted on the basis of findings. In addition, as of date, information has been received of investigations having been taken up by the Securities and Exchange Board of India (SEBI) under the SEBI Act, 1992, by the Income Tax authorities under the provisions of the Income Tax Act, 1961, by the CID under the Andhra Pradesh Police with regard to criminal aspects relating to some complaints lodged against some of the persons involved with the affairs of Satyam.

The respective investigations are under progress. The punishment/ penalty that may be imposed would depend upon the offences that are *prima facie* established for launching prosecution against the persons concerned under various provisions of the law.

Interaction between government and corporate entities

150. SHRIMATI SUPRIYA SULE:
SHRI GIREESH KUMAR SANGHI:
DR. T. SUBBARAMI REDDY:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether in a bid to tide over the problem of Government and industry working at cross purposes in rolling out development programmes across various parts in the country, a Government panel has called for mutual consultation between corporate entities planning to take up projects in an area and the local Government concerned;

(b) whether it has been pointed out that Government should make Foreign Contribution Act more stringent;

(c) whether the Reforms Panel has recommended for more interaction between Government and Corporates; and

(d) what are the other recommendations made by the Administrative Reforms Commission (ARC) and steps taken to implement them?

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA): (a) The Second Administrative Reforms Commission in its Ninth Report titled "Social Capital - A Shared Destiny" has recommended that when a community benefit project is taken up by a corporate entity, there should be some mutual consultation between the company and the local Government so that there is no unnecessary overlap with other similar development programmes in the area.